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SUBJECT: Jordan's Economic Zones Aim to Attract Investment and  
Address Poverty and Unemployment

Refs: A) Amman 3806  
B) Amman 2017  
C) Amman 263

¶1. Summary: Jordan has taken an approach of developing geographically delineated, policy-favored commercial zones to attract investment and promote economic development. In addition to industrial estates and free zones, King Abdullah recently announced the launch of a fourth economic development zone in Ma'an, based on the model of the special economic zones in Aqaba, Ma'raq and Irbid. All aim to alleviate poverty and create jobs in these impoverished areas of Jordan through development of industrial centers supported by logistics, transport, utilities, and information technology services. While the various commercial zones have succeeded in many of their goals, their future role may diminish as customs duties and tariffs continue to decrease in line with Jordan's free trade agreements and World Trade Organization commitments. In a relatively small country, the creation of additional economic development zones may become redundant and distract from a larger liberal policy of making all of Jordan "special." End Summary.

#### Jordan's Zone Approach

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¶2. As part of Jordan's efforts to foster economic development and enhance the investment climate, the government has created geographically demarcated, policy-favored commercial zones, including industrial estates, free zones, and special economic zones. The goal is to encourage "clustering" among related firms within an industry and linkages to other industries. Some of these zones actually overlap or have multiple designations. For example, the industrial estate in Karak, situated just east of the Dead Sea, has a free zone within it, and the industrial estate in the Red Sea port city of Aqaba is within the boundaries of the Aqaba Special Economic Zone. Many are also designated Qualifying Industrial Zones (QIZs). NOTE: According to a Jordan-Israel-U.S. agreement, approved goods produced in thirteen designated QIZs in Jordan can be imported into the United States duty- and quota-free if 35 percent of the product's content comes from the QIZ, Israel, the West Bank/Gaza, and/or the U.S. (Ref C). END NOTE.

#### Industrial Estates

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¶3. The semi-governmental Jordan Industrial Estates Corporation (JIEC) currently owns five public industrial estates in Irbid, Karak, Aqaba, Amman, and Ma'an. There are also several privately-run industrial parks in Jordan, including al-Mushatta, al-Tajamouat, al-Dulayl, Cyber City, al-Qastal, Jordan Gateway, and al-Hallabat. These estates provide basic infrastructure networks for a wide variety of manufacturing activities, reducing the cost of utilities and providing cost-effective land and factory buildings.

Investors in the estates also receive various exemptions, including a two-year exemption on income and social services taxes, total exemptions from building and land taxes, and exemptions or reductions on most municipalities' fees.

#### Free Zones

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14. Jordan also has public "free zones" (FZs) in Zarka, Sahab, Karak, Karama, and Queen Alia Airport that are run by the publicly-owned Free Zone Corporation (FZC). Over 30 private free zones have also been designated, which are administered by private companies under the supervision of the FZC. Considered outside the Jordan Customs jurisdiction, the free zones provide a duty- and tax-free environment designed for the storage of goods transiting Jordan. Firms located in such zones can avoid import duties and fees, company income taxes, licensing fees for construction, building and land taxes, and value-added taxes on goods exported or transiting internationally across Jordan (Ref C). Non-Jordanians working in the FZ's are also exempt from personal income tax and social services tax.

#### Economic Development Zones

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15. The Aqaba Special Economic Zone, created in 2001, was the first special economic zone with the goal of alleviating poverty and creating jobs in that area (see reftels for additional background). Offering special tax exemptions and a flat five percent income tax, ASEZ has attracted over USD 2 billion in foreign direct investment in recent years, mainly in hotel and property development. Given this success, the Government of Jordan (GOJ) plans to replicate the model throughout the country, and is currently doing so in Mafrag and Irbid in the north, and in Ma'an in the south. However, the

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World Bank has cautioned that the Special Economic Zones generally have the disadvantage of favoring isolated free market enclaves while distracting attention from countrywide trade liberalization and reform.

#### Mafrag Economic Zone

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16. Jordan created a second economic zone - the King Hussein Bin Talal Economic Zone - in November 2006 in the city of Mafrag. It comprises 20.5 sq km of currently empty land that will be built around industrial activities, supported by logistics and transit services. High-end villas, low-cost labor accommodations, and community services and utilities will also be built to support employers' needs. Implementation of development projects estimated at over USD 1 billion is expected to take some 15 years from start to finish. The Mafrag Zone hopes to provide 29,000 new "direct" jobs by 2025, as well as indirect jobs for an available labor force of around 240,000 workers within a 50 kilometer radius.

17. Given its location at the intersection of two major highways (Syria-Aqaba and Irbid-Baghdad) and access to the Amman-Damascus railroad, the Mafrag Zone aims to be a "junction" point for logistics, according to General Manager of the Mafrag Development Company Rami Al-Qusus. The zone is also adjacent to the King Hussein airbase, which has an international runway that has been used for training by the Royal Air Force. The airport currently only services cargo but will be converted for mixed use in the future. Qusus told Econoff that he is looking for any opportunities to increase business at the airbase, including support of U.S. government transport for Iraq.

18. The Mafrag Zone will target four priority industries: chemicals (including pharmaceuticals); engineering and electrical equipment; food processing; and textiles, apparel, furniture and other manufactured articles. Initial investments include a USD 21 million production facility by Petra Engineering Industries, which has been successfully exporting air conditioners to the U.S. under the U.S.-Jordan FTA; a USD 49.4 million modern cable manufacturing facility by MESC Specialized Cables in association with Fujikura

(Japan); a factory to manufacture freezers and cooling units by Future and Ugur; and a USD 20 million aluminum manufacturing plant by Emaar Industries and Investments MultiForms.

¶9. Qusus highlighted that he does not want Mafrag to be considered a special economic zone with a separate law or separate customs, like ASEZ, that would then not allow exports to receive preferential treatment under some of Jordan's free trade agreements, particularly the Greater Arab Free Trade Agreement. NOTE: The U.S.-Jordan FTA does apply to the Aqaba Special Economic Zone. END NOTE. He is, however, working with the GOJ to arrange special customs, tax, and other bureaucratic regulations to increase the zone's investment appeal relative to other economic zones in Jordan. In particular, he plans to establish a one-stop shop and conduct post-audits of investors, rather than pre-audits, in order to speed up the process of granting licenses. He also wants 24-hour service for a land-air freight system so that goods that land via air in Amman can be directly loaded onto trucks and transported to Mafrag, where they would then clear customs. Another proposal is exemption of duties on construction materials.

#### Irbid Economic Zone

¶10. The Irbid Economic Zone was launched in May 2007 by King Abdullah as a healthcare, education, and information technology free zone in the northern city of Irbid. Its proximity to the campus of the Jordan University for Science and Technology (JUST) encourages partnerships between the firms in the zone and the university students. The zone aims to create 23,000 jobs and reduce unemployment in Irbid, where around 17.5 percent of its one million inhabitants are jobless.

¶11. In particular, the Irbid development projects will include hospitals, clinics, and medical facilities to increase the healthcare staff in Jordan and service some 100,000 patients from Arab states who seek treatment in Jordan annually. During the May 2007 World Economic Forum held in Jordan, an agreement was signed with anchor tenants of the zone to establish a nursing college for a total investment of US\$35 million. COMMENT: The focus on such service sectors seems appropriate given that Irbid also has the nearby Sahab Industrial Estate and Al-Hassan Qualifying Industrial Zone (QIZ) that caters to manufacturing industries, specifically in apparel. END COMMENT.

#### Ma'an Economic Development Zone

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¶12. On September 9, the King launched the fourth Economic Development Zone in Ma'an, a governorate 210 kilometers south of the capital. It is an important transport hub situated on the modern Desert Highway linking Jordan with Saudi Arabia. The Ma'an Zone covers all of the districts in Ma'an Governorate including Shobak, Petra, and Southern Badia. Plans for the zone include infrastructure projects estimated at USD200 million, and the creation of 7,000 jobs by the end of 2025. King Abdullah recently met with the local community and civil societies in Ma'an, publicly stressing the strong role they need to play in developing appropriate proposals for the zone.

#### Comment

¶13. Jordan's various commercial zones have helped promote trade, investment, and economic development, particularly in impoverished areas. Some have noted, though, the future role of such zones may diminish as customs duties and tariffs continue to decrease in line with Jordan's free trade agreements and World Trade Organization (WTO) commitments, and central and local government continue to reform delivery of their services and reduce the need to cut through bureaucracy. In a relatively small country, the creation of additional economic development zones may become redundant and distract from a larger liberal policy of making all of Jordan "special."

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